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INTRODUCTION

The DHS Office of Internal Audit (OIA) performed a limited scope audit of the child care providers and clients who received child care services.

The objectives of our audit were:

1. To determine if the providers had attendance records that met the requirements detailed on page 4 of the Provider Handbook and Reporting Instructions for Child Care Providers.
2. To determine if the clients had documentation of hours worked for the hours their children were in subsidized care.

This audit was limited in scope and nature and, therefore, was not conducted in accordance with all Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

SCOPE

The scope of our audit included obtaining and reviewing appropriate records and documents, as we considered necessary to satisfy our objectives. The audit was performed primarily between March 21, 2007 and December 10, 2007.

For objective one, we obtained relative home and day care aide provider payment records during the pay periods from October 1, 2006 through August 4, 2007. We sampled 2,005 providers and reviewed the supporting time and attendance documentation to determine if the requirements detailed in the Provider Handbook and Reporting Instructions for Child Care Providers were being met.

For objective two, we obtained payment records for clients who received child care services during the period of our audit, who listed “employment” as the reason services were needed, and who had no earnings reported to the Unemployment Agency for that period reviewed. We sampled 207 clients and reviewed the supporting employment verification documentation to determine if the clients had documentation of hours worked for the hours their children were in subsidized care.

EXECUTIVE SUMMARY

Based on our review, we determined that the attendance records maintained by the child care providers generally did not meet the requirements detailed in the Provider Handbook and Reporting Instructions for Child Care Providers. The major contributing factors to the attendance records not meeting requirements appear to be the lack of provider training on the requirements and monitoring of the hours of service billed to and paid by the Department of Human Services (DHS). Therefore, we provided recommendations that these areas be strengthened.

We identified areas of noncompliance including: providers not keeping attendance records; provider and client signatures not on the attendance records; documentation not supporting the payment amounts; and time-in / time-out not being identified. In addition, many providers did not respond to our audit request to supply documentation that supported payment. For those providers who did not respond to our audit request, we informed the Child Care Program area and they were subsequently disenrolled from the child care program. We determined that a high percentage of those providers that were disenrolled did not reenroll and the children they were taking care of were not currently being provided services by other child care providers funded by the Department.

AGENCY RESPONSE:

The management of the Office of Early Education and Care has reviewed all findings and recommendations included in this report. They indicated in a memo dated January 14, 2008 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS:

Child Care Provider Training

1. The Office of Early Education and Care should strengthen efforts to ensure that child care providers receive adequate training on the requirements for maintaining appropriate time and attendance records.

The Provider Handbook and Reporting Instructions for Child Care Providers outlines the requirements for providers to maintain appropriate time and attendance records. Under the section of the handbook entitled “Attendance Records,” the provider is required to keep daily attendance records for all subsidy eligible children cared for. The attendance records must: include daily care begin time and daily care end time for each child; include provider and parent/substitute parent signatures certifying the attendance records are correct; support the hours of care reported; be maintained for four years from the date the care was provided.

For our audit period, we identified a provider population of 34,462 Relative Home and Day Care Aide provider types. We selected a sample of 2,005 of those providers. We determined that 489 of the 2,005 (24.39%) providers sampled provided documentation of attendance records that did not meet some or all of the requirements outlined in the provider handbook. We also determined that 295

(14.71%) of the providers stated that they did not maintain any attendance records, and 33 (1.65%) of the providers kept records, but the records did not properly support the number of hours billed.

Maintaining complete and accurate attendance records according to the requirements detailed in the provider handbook helps to ensure that federal funds are being spent on appropriate services and payments for those services are accurate. Strengthening training efforts related to the requirements for appropriate record keeping helps to ensure that federal funds are being spent appropriately.

WE RECOMMEND that the Office of Early Education and Care strengthen efforts to ensure that child care providers receive adequate training on the requirements for maintaining appropriate time and attendance records.

Child Care Provider Attendance Record Monitoring

2. The Office of Early Education and Care should increase efforts related to monitoring of child care provider attendance records to help ensure child care provider hours of services billed to and paid by DHS are accurate and proper. As part of the increased monitoring, DHS should establish appropriate policies and procedures to guide this process.

The Provider Handbook and Reporting Instructions for Child Care Providers requires providers to keep detailed attendance records that support the hours of care reported, and that records be maintained for four years from the date the care was provided.

We determined that 840 of the 2,005 (41.9%) providers sampled did not respond to our request for attendance documentation. As a result, those providers were disenrolled as a child care provider for DHS. We also determined that 10 (.5%) of the providers indicated that no service was provided or that the parent was not working. Not submitting attendance record documentation indicates a high probability that improper or inaccurate payments may have been made to these child care providers during our audit period. As no records were submitted, we cannot substantiate that payments made to these providers during the audit period were either improper or inaccurate. However, subsequent to the disenrollment, we determined that 728 of the 840 (86%) providers did not reenroll with DHS and 1,288 of the 1,945 (66%) of the children that they were providing care for were not currently being cared for by another DHS child care provider.

Internal control standards identify prevention as a critical component in strategies to reduce improper payments. Increased monitoring of child care provider attendance records and establishing policies and procedures that require periodic monitoring of child care providers would strengthen the internal controls over payment accuracy and help prevent improper payments.

WE RECOMMEND that the Office of Early Education and Care increase efforts related to monitoring of child care provider attendance records to help ensure child care provider hours of services billed to and paid by DHS are accurate and proper.

Client Monitoring

3. The Office of Early Education and Care should increase their efforts related to monitoring of clients who receive child care services coded as “employment” for the reason services were needed, and who had no earnings reported to the

Unemployment Agency for the period those services were received. For the period October 1, 2006 to December 31, 2006, we identified 8,568 out of 36,793 (23.3%) clients who had payments made to child care providers who were coded with a reason code of “employment,” and had no earnings reported to the Unemployment Agency. We selected a sample of 207 of the 8,568 clients who met the above noted criteria and requested employment verification documentation from the client. We determined that 98 of the 207 (47%) clients did not respond to our request, and 34 (16.4%) provided employment verification records that were insufficient to verify their employment. Not submitting employment verification documentation or providing insufficient documentation indicates a high probability that clients may not have been eligible for child care services and that improper or inaccurate payments may have been made on behalf of clients to child care providers during our audit period. As no documentation was submitted or the documentation was not sufficient, we cannot substantiate that the client was eligible for child care services.

Internal control standards identify prevention as a critical component in strategies to reduce improper payments. Increased monitoring of client employment records would strengthen the internal controls over of the clients’ eligibility for child care services, would help to ensure payment accuracy, and help reduce potentially improper payments.

WE RECOMMEND that the Office of Early Education and Care should increase efforts related to monitoring of clients who receive child care services, who were coded as “employment” for the reason services were needed, and who had no earnings reported to the Unemployment Agency for the period those services were received.

